



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/30/2001

GAIN Report #SF1010

South Africa, Republic of

Tobacco and Products

Annual

2001

Approved by:

Richard Helm

U.S.Embassy, South Africa

Prepared by:

Herman Germishuis

Report Highlights:

South Africa's tobacco production is expected to reach 29,500 tons this year, up 300 tons from the 2000 crop. Exports are expected to reach 16,500 tons and imports, mainly from Zimbabwe, 19,500 tons. Cigarette consumption is declining in the face of anti-smoking measures.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], SF

Executive Summary	1
Unmanufactured Tobacco	2
Production	2
Consumption	3
Trade	3
Manufactured Tobacco, Cigarettes	6
Consumption	6
Trade	7
Policy	8
Tariffs and Duties	9
Flue cured Tobacco	10
Burley	11

Executive Summary

South Africa's dry weight tobacco production is expected to reach 29,500 tons in 2001, up 300 tons on the previous crop. About 85% of the crop is flue cured. Burley tobacco is no longer produced with domestic needs being imported. Total tobacco imports are expected to reach 19,500 tons this year after an average of 17,500 tons annually were imported over the past two years. The main source of imports is Zimbabwe. Exports are expected to reach 16,500 tons.

Cigarette consumption is declining in the face of strong anti-smoking measures.

\$1 = R 8.10 (04/30/2001)

Unmanufactured Tobacco

UNCLASSIFIED

Foreign Agricultural Service/USDA

PSD Table						
Country	South Africa, Republic of					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	13962	13962	15600	15599	0	15750
Beginning Stocks	35348	35348	34645	33066	37300	24330
Farm Sales Weight Prod	31680	32600	35672	30900	0	32150
Dry Weight Production	29642	30700	33155	29178	0	29500
U.S. Leaf Imports	900	890	900	950	0	925
Other Foreign Imports	19400	20393	19300	12593	0	18570
TOTAL Imports	20300	21283	20200	13543	0	19495
TOTAL SUPPLY	85290	87331	88000	75787	37300	73325
Exports	15345	18965	15500	16258	0	16415
Dom. Leaf Consumption	17500	17500	17400	17399	0	17300
U.S. Leaf Dom. Consum.	800	800	900	900	0	900
Other Foreign Consump.	17000	17000	16900	16900	0	16800
TOTAL Dom. Consumption	35300	35300	35200	35199	0	35000
TOTAL Disappearance	50645	54265	50700	51457	0	51415
Ending Stocks	34645	33066	37300	24330	0	21910
TOTAL DISTRIBUTION	85290	87331	88000	75787	0	73325

Production

Unfortunately the availability of South African tobacco statistics declined with the demise of the Tobacco Board and the advent of the free market a few years ago. This situation is aggravated by the competition amongst the Cooperatives that handle the crop. At this stage there are no signs that the situation will improve in the short term but as the industry suffers in an anti-smoking environment it may decide to pool resources again. Indications are, however, that the 2001 crop is marginally bigger than the disappointing 2000 crop, and could even end up being substantially bigger. The delivery, cleaning, and remaking of the crop only started recently and we hope to get better information as the season progresses.

Production Table:

Product		Area	Hectare		Prod.	Mt.*		
	1998	1999	2000**	2001***	1998	1999	2000**	2001***
Flue-	11849	11628	12767	12850	26708	26095	24575	24800
Air	1928	1708	2382	2400	4326	4274	4351	4425
Oriental	650	626	450	500	289	332	250	275
TOTAL	14427	13962	15599	15750	31323	30702	29178	29500

* Dry Weight

** Preliminary

*** Attache Estimate

Consumption

Consumption data are still inconclusive but the general belief is that there is a small slowdown in consumption growth, as a result of anti-smoking measures (see Policy).

Trade

Tobacco imports continue unabated and although the table may show a slowdown, the 1999 imports were exceptionally high and probably included some carry overs from the previous year. The US is finding a growing market in South Africa as production of popular US brands shifted to South Africa.

Under existing trade agreements South African companies may import up to 9,000 tons of flue cured tobacco duty free from Zimbabwe annually. Up to 3,000 tons of air cured and burley tobacco may be imported duty free from Malawi annually. In addition, under South Africa's commitment under the World Trade Organization (WTO): Marakesh Agreement regarding market access, a tariff rate quota of 16,773 tons of tobacco is allowed to be imported at a reduced rate of duty of 8.8% ad valorem. These arrangements makes the 15% general rate of duty virtually redundant.

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	Metric tons
Imports for:	1999		2000
U.S.	890	U.S.	950
Others		Others	
Zimbabwe	11898	Zimbabwe	5823
Malawi	2618	Brazil	2650
Brazil	2078	Malawi	1489
Paraguay	1479	Argentina	574
India	981	India	554
Italy	488	Paraguay	481
Argentina	467	Greece	336
Uganda	158	Italy	275
Total for Others	20167		12182
Others not Listed	226		411
Grand Total	21283		13543

The export matrix also shows an active market for tobacco.

Export Trade Matrix			
Country	South Africa, Republic of		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	Metric tons
Exports for:	1999		2000
U.S.	378	U.S.	80
Others		Others	
Zimbabwe	2989	Taiwan	1745
Turkey	2895	Turkey	1659
United Kingdom	2238	Belgium	1421
Germany	1738	Zimbabwe	1244
France	1004	Iran	1042
Russian Fed.	972	Japan	827
Taiwan	729	United Kingdom	790
Ukraine	622	China	700
Philippines	521	Germany	700
Sweden	414	Philippines	618
Total for Others	14122		10746
Others not Listed	4465		5432
Grand Total	18965		16258

Manufactured Tobacco, Cigarettes

PSD Table						
Country	South Africa, Republic of					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	25650	24595	25175	25635	0	25965
Non-Filter Production	1350	1296	1325	1637	0	1365
TOTAL Production	27000	25891	26500	27272	0	27330
Imports	330	417	300	324	0	370
TOTAL SUPPLY	27330	26308	26800	27596	0	27700
Exports	37	977	30	1926	0	1950
Domestic Consumption	27293	25331	26770	25670	0	25750
TOTAL DISTRIBUTION	27330	26308	26800	27596	0	27700

Consumption

Consumption of tobacco products:

Year	Cigars, kg.	Cigarettes, million	Cigarette tobacco kg.	Pipe tobacco kg.
1996	50 634	34 094	7 513	6 813 558
1997	44 585	31 936	9 754	7 497 940
1998	34 117	30 439	14 5378	7 917 420
1999	16 268	25 331	17 757	7 859 881
2000	6 035	25 670	17 087	7 266 908

Trade

UNCLASSIFIED

Foreign Agricultural Service/USDA

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan - Dec	Units:	Kg.
Imports for:	1999		2000
U.S.	67858	U.S.	16552
Others		Others	
United Kingdom	238317	China	137642
China	32800	United Kingdom	35012
Israel	8914	U.A.E.	28381
Zimbabwe	6952	Hong Kong	24050
Japan	6290	Netherlands	21815
Switzerland	5612	Bulgaria	17958
Netherlands	6020	Zimbabwe	16661
Tanzania	2169	Switzerland	11515
Total for Others	307074		293034
Others not Listed	41701		14149
Grand Total	416633		323735

The Customs and Excise cigarette import figures in Kilograms look feasible at 1,000 cigarettes per kg. meaning that 1999 imports amounted to 417 million cigarettes and 2000 imports 324 million. Unfortunately the export figures from the same source do not look that good. It shows 2000 exports at 15,472,718 kg. meaning 15,473 million cigarettes or 60% of local consumption, obviously too high. There are some questions about these figures with the suspicion that some round tripping is going on, with cigarettes "exported" reaching the domestic market at a considerable saving in tax.

Policy

Tobacco legislation; the first Tobacco Products Control Act was passed by the Government in 1993 as Act no 83 of 1993 and it came into effect in 1994 and 1995. The latest Act was passed by Government in 1999. It is an amendment of the original Act and its contents will be incorporated into the original Act. Two sets of regulations have been published. The first set was published on December 2, 1994 and came into effect the next year. The latest set was published on September 29, 2000 and was published in terms of the latest Amendment Act.

The original Act empowered the Minister of Health to prescribe health warnings on advertisements and on tobacco packs. It also contained a prohibition on the sale of tobacco products to people under the age of 16 and some restrictions on vending machines. It introduced a requirement that the tar and nicotine yields of cigarettes be printed on the pack. The first Act led to the publication of the first set of regulations on December 2, 1994. These regulations contained details about the warnings on tobacco advertisements and on packages and also prescribed testing methods for determining tar and nicotine yields.

The new Tobacco Act, passed by parliament in April 1999, is more extensive and basically introduces a ban on all tobacco advertising and sponsorships. It bans smoking in public places, with certain exemptions. It provides for "point of sale" advertising to continue. It also, for the first time, gives the Minister the power to prescribe maximum yields of tar and other constituents. It bans free distribution and reward and places further restrictions on the use of vending machines.

The new regulations published in September 2000 consist of one Proclamation and four Government Notices. The Presidential Proclamation states that the Tobacco Products Control Amendment Act, no 12 of 1999, came into effect on October 1, 2000.

The first notice deals with the maximum permissible yields of tar and nicotine and other constituents in tobacco products.

The tar yield of cigarettes must not be greater than 15 mg per cigarette and the nicotine yield not greater than 1.5 mg by December 1, 2001. These maximum levels must then be lowered to a tar yield of 12 mg per cigarette and a nicotine yield of 1.2 mg nicotine per cigarette by June 1, 2006.

The second Notice is an extensive piece of legislation regulating smoking in public places. A public place is defined as an indoor or enclosed area and the notice defines certain public places such as pubs, restaurants, bars, taverns and "smoking establishments". It then goes on to deal with the types of public places where smoking is permitted and the conditions under which smoking is permitted.

In principle, a person in charge of a public place may designate a portion of the public place as a "smoking area" provided that the designated area does not exceed 25% of the total floor area, is separated by a solid partition and an entrance door; and has a ventilation system which directly exhausts air. The notice also

regulates smoking in the workplace. Some of the regulations ran foul of building and hospitality regulations and have not been implemented.

The third Notice deals with point of sale advertising of tobacco products, the signs may not exceed one square meter and must be placed within one meter of the point of sale.

The fourth Notice deals with certain exemptions and the phasing out of existing sponsorship obligations or contractual obligations in respect of advertising. All sponsorships taking place in terms of contracts which were in place of April 23, 1999 were allowed to continue up to April 23, 2001. Tobacco product advertising like print media and billboards can continue if they are taking place in terms of a contract which had been in place on April 23, 1999 but since October 1, 2000 no new contracts can be signed. With advertising and promotion expenditure a main expenditure item for the tobacco companies, the restrictions will have a positive effect on their profitability.

Tariffs and Duties

As usual, Customs and Excise duties on cigarettes were increased again this year. The latest Customs duty on cigarettes is 45% ad valorem and the Excise duty is 158.4c/10 cigarettes, up from 141.5 c/10 last year. This takes the Government share of a R10 packet of 20 to R3.17 excise duty plus R 1.25 for the 14% sales tax to R4.42 or 44%. At this level of tax avoidance becomes lucrative.

Flue cured Tobacco

PSD Table						
Country	South Africa, Republic of					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	11628	11628	12767	12767	0	12850
Beginning Stocks	25960	25960	27400	25135	30000	19500
Farm Sales Weight Prod	27081	27712	29333	26100	0	26350
Dry Weight Production	26860	26095	28600	24575	0	24800
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	14780	16200	14000	10320	0	15200
TOTAL Imports	14780	16200	14000	10320	0	15200
TOTAL SUPPLY	67600	68255	70000	60030	30000	59500
Exports	13200	16120	13500	13820	0	12500
Dom. Leaf Consumption	14484	15600	14000	14000	0	13500
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	12516	11400	12500	12710	0	13000
TOTAL Dom. Consumption	27000	27000	26500	26710	0	26500
TOTAL Disappearance	40200	43120	40000	40530	0	39000
Ending Stocks	27400	25135	30000	19500	0	20500
TOTAL DISTRIBUTION	67600	68255	70000	60030	0	59500

Burley

PSD Table						
Country	South Africa, Republic of					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	0	0	0	0	0	0
Beginning Stocks	900	1418	1066	1775	1082	1850
Farm Sales Weight Prod	0	0	0	0	0	0
Dry Weight Production	0	0	0	0	0	0
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	1399	1592	1166	1325	0	1550
TOTAL Imports	1399	1592	1166	1325	0	1550
TOTAL SUPPLY	2299	3010	2232	3100	1082	3400
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	0	0	0	0	0	0
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	1233	1235	1150	1250	0	1265
TOTAL Dom. Consumption	1233	1235	1150	1250	0	1265
TOTAL Disappearance	1233	1235	1150	1250	0	1265
Ending Stocks	1066	1775	1082	1850	0	2135
TOTAL DISTRIBUTION	2299	3010	2232	3100	0	3400